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BEFORE THE ARIZONA CORPORATION COMMISSION

1999 JUL 26 P 4: 21

CARL J. KUNASEK

Commissioner – Chairman

Arizona Corporation Commission

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JIM IRVIN

Commissioner

JUL 26 1999

WILLIAM A. MUNDELL

Commissioner

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IN THE MATTER OF THE  
APPLICATION OF TUCSON ELECTRIC  
POWER COMPANY FOR APPROVAL  
OF ITS STRANDED COST RECOVERY  
AND FOR RELATED APPROVALS,  
AUTHORIZATIONS AND WAIVERS

DOCKET NO. E-01933A-98-0471

IN THE MATTER OF THE FILING OF  
TUCSON ELECTRIC POWER  
COMPANY OF UNBUNDLED TARIFFS  
PURSUANT TO A.C.C. R14-2-1602 ET.  
SEQ.

DOCKET NO. E-01933A-97-0772

IN THE MATTER OF THE  
COMPETITION IN THE PROVISION OF  
ELECTRIC SERVICES THROUGHOUT  
THE STATE OF ARIZONA

DOCKET NO. RE-00000C-94-0165

NOTICE OF FILING

City of Tucson hereby provides Notice of Filing Comments on the above  
dockets.

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Office of the City Attorney  
P.O. Box 27210  
Tucson, Arizona 85726-7210

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P.O. Box 27210  
Tucson, Arizona 85726-7210

DATED this 23<sup>rd</sup> day of July 1999.

BY: 

David L. Deibel  
Senior Assistant City Attorney  
City of Tucson – City Attorney's Office  
P.O. Box 27210  
Tucson, AZ 85726-7210

AN ORIGINAL AND TEN COPIES  
of the foregoing City of Tucson's  
Notice of Filing

Filed this 23<sup>rd</sup> day of July, 1999, with:  
Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix AZ 85007

Copies of the foregoing mailed  
This 23<sup>rd</sup> day of July, 1999, to:

Service List for RE-00000C-94-0165

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK  
Commissioner – Chairman

JIM IRVIN  
Commissioner

WILLIAM A. MUNDELL  
Commissioner

IN THE MATTER OF THE )  
APPLICATION OF TUCSON ELECTRIC ) DOCKET NO. E-01933A-98-0471  
POWER COMPANY FOR APPROVAL )  
OF ITS STRANDED COST RECOVERY )  
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COMPANY OF UNBUNDLED TARIFFS )  
PURSUANT TO A.C.C. R14-2-1602 )  
ET. SEQ. )

IN THE MATTER OF THE )  
COMPETITION IN THE PROVISION OF ) DOCKET NO.RE-00000C-94-0165  
ELECTRIC SERVICES THROUGHOUT )  
THE STATE OF ARIZONA ) CITY OF TUCSON'S COMMENTS  
ON PROPOSED TUCSON ELECTRIC  
POWER COMPANY'S PROPOSED  
SETTLEMENT

In accordance with the Arizona Corporation Commission's (Commission) procedural order of June 23, 1999, the City of Tucson (City) makes the following comments concerning the Proposed Settlement Agreement (Agreement) on Tucson Electric Power Company's (TEP) stranded costs and unbundled tariffs.

1 The City has reviewed the proposed Agreement and the associated testimony filed by the  
2 parties to the Agreement. The Agreement contains several provisions that need to be  
3 clarified as discussed below. The City intends to seek clarification of these concerns by  
4 examination of the witnesses for the parties to the Agreement.

#### 5 **Recommendations**

6 Due to the complexity of the Agreement, the following provisions should be reviewed by the  
7 Commission to insure they are reasonable and fair to TEP's customers:

- 8 \*The benefits of the Agreement offered to standard offer customers.
- 9 \*The unbundled rates as described in the Agreement's adjunct tariffs.
- 10 \*The rates generators must pay to purchase back-up power from TEP.
- 11 \*The stranded cost estimate of \$774,000,000.
- 12 \*The length of the recovery period for TEP's stranded costs.

13 The Agreement should address the assignment of commitments when generation or other  
14 competitive assets are transferred to subsidiaries or unrelated companies.

15 Section 5.2 of the Agreement requires TEP to file a report with Commission Staff by June 1,  
16 2004. This report must identify any required modifications to the competition transition  
17 charge (CTC) and to unbundled rates effecting the reduction of standard offer rates or  
18 unbundled rates. Section 5.2 does not describe the mechanism accomplishing these  
19 reductions. In its order, the Commission should permit any party to this docket to request  
20 lower rates after TEP files its report.

21 Section 2.1(f) of the Agreement indicates that any party to the Agreement may submit a  
22 request to the Commission to alter or amend the adder as part of the mid-course review. In  
23 its order, the Commission should allow any party to this docket to submit a request for  
24 revision to the adder.

25 Under R14-2-1616 of the Commission rules and under the Agreement, TEP must file a code  
26 of conduct. While there is no requirement for a hearing on the code, the City requests that  
the Commission permit any party to this docket to participate in the Commission's review of  
TEP's code of conduct through participation in hearings, if scheduled, an opportunity to  
review and file comments, or both.

1 Section 3.1 of the Agreement suggests that TEP will start purchasing standard offer power  
2 supplies in 2003; however, in response to the City's data request number 31, TEP indicated  
3 that it will purchase standard offer power supplies in 2001. The Commission's order should  
4 resolve this apparent inconsistency.

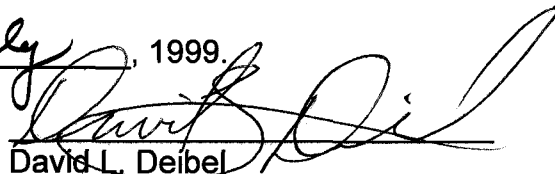
5 In his testimony, Kevin Higgins indicated that when the fixed CTC ends, it would be  
6 removed from bundled rates so that the floating CTC does not increase to offset the  
7 termination of the fixed CTC (p. 8, line 19). The Commission should consider specifying  
8 in its order that the fixed CTC is removed from the bundled rates.

9 Kevin Higgins further stated that it is desirable to update unbundled tariffs to reflect the  
10 lower standard offer price following rate reductions (p.11, line 24). In its order, the  
11 Commission should consider requiring TEP to update its unbundled tariffs after rate  
12 reductions.

### 13 Conclusion

14 The City appreciates the Commission's careful consideration of the City's comments.  
15 The Agreement brings to closure important elements of the plan to introduce  
16 competition to the residents of Tucson.

17 DATED this 23<sup>rd</sup> day of July, 1999.

18   
19 David L. Deibel  
20 Senior Asst. City Attorney  
21 City of Tucson – City Attorney's Office  
22 P. O. Box 27210  
23 Tucson AZ 85726-7210

24 AN ORIGINAL AND TEN COPIES  
25 of the foregoing City of Tucson's  
26 Comments on Proposed Tucson  
Electric Power Company's Proposed  
Settlement

Filed this 23<sup>rd</sup> day of July, 1999, with:  
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